
FEDERAL DEPOSIT INSURANCE CORPORATION

Executive Management Report

Unaudited

Financial Results

For the Six Months Ending June 30, 1997



Division of Finance

Financial Highlights

For the Six Months Ending June 30, 1997

Bank Insurance Fund (BIF):

- ▶ Net income was \$535 million for the six months ending June 30, 1997, raising the fund balance to \$27.4 billion.
- ▶ Revenue totaled \$761 million for the six months ending June 30, 1997. The fund earned \$713 million in interest on investments in U.S. Treasury securities and earned \$13 million in deposit insurance assessments.
- ▶ Provision for insurance losses was a negative \$76 million for the period, primarily reflecting decreased losses expected for anticipated failures and assets in liquidation. The liability for anticipated failures of insured BIF institutions fell to \$26 million from \$238 million one year earlier, reflecting the continued improvement in the condition of the banking industry.
- ▶ Total BIF operating expenses increased by \$52 million in the first six months of 1997, compared to the same period last year, because fewer expenses were charged to receiverships as liquidation activity declined.

Savings Association Insurance Fund (SAIF):

- ▶ Net income was \$246 million for the six months ending June 30, 1997, increasing the fund balance to \$9.1 billion. Net income decreased by \$310 million compared to the same period in 1996, due primarily to a reduction in assessment revenue.
- ▶ Net assessment revenue through June 1997 totaled \$14 million compared to \$481 million for the same period last year. The decline resulted from a significant reduction in the SAIF's assessment rates after the capitalization of the SAIF in October 1996.
- ▶ Revenue totaled \$276 million during the six months ending June 30, 1997, compared to \$591 million for the year-earlier period. An increase in interest income from \$109 million to \$262 million was more than offset by the decline in assessment revenue.
- ▶ Unrestricted cash and investments now comprise 96% of total assets.
- ▶ Unrestricted cash (including cash equivalents) decreased by \$463 million from June 1996 to June 1997 as cash was committed to investments in longer-term U.S. Treasury obligations.
- ▶ The estimated liability for anticipated failures of insured SAIF institutions as of June 30, 1997, decreased to \$3 million from \$114 million at June 30, 1996, as the result of continued improvement in the financial condition of the thrift industry.

FSLIC Resolution Fund (FRF): ~FRF-FSLIC~

- ▶ Net income was \$180 million for the six months ending June 30, 1997, compared to \$116 million for the same period last year. The increase in net income was largely attributable to a larger reduction in the provision for losses in 1997 compared to 1996.
- ▶ Net receivables from thrift resolutions were \$120 million for June 1997, compared to \$308 million for June 1996, as assets of the former FSLIC continue to be liquidated.
- ▶ Net cash provided by operating activities increased by \$70 million over the same period last year, due primarily to \$651.7 million received in January 1997 for the sale of common stock acquired in an assistance transaction.

~FRF-RTC~

- ▶ The FRF-RTC earned \$155 million in interest income during the first six months of 1997 on the securitization credit enhancement reserves that were transferred to the Corporation as a non-cash dividend in October 1996.
- ▶ Assets in liquidation totaled \$3.1 billion as of June 30, 1997, down by \$3.0 billion over the last 12 months.
- ▶ Federal Financing Bank (FFB) borrowings were reduced by \$4.4 billion to \$2.3 billion during the twelve month ending June 30, 1997.
- ▶ Net income was \$439 million for the first six months of 1997, an increase of \$449 million compared to the same period last year. Most of the increase was attributable to a \$343 million reduction in the provision for insurance losses and a \$136 million reduction in FFB interest expense, compared to the year-earlier period.
- ▶ Total revenue decreased by \$22 million, and the composition of revenue changed as a result of the transfer of the securitization reserve fund in October 1996.

Bank and Thrift Failure Activity:

- ▶ No BIF-insured institutions have failed during 1997. During 1996, five BIF-insured banks with assets of \$18.6 billion failed.
- ▶ The last BIF-insured institution to fail was Commonwealth Thrift and Loan of Torrance, California, on August 16, 1996.
- ▶ No SAIF-insured institutions have failed during 1997. During 1996, one SAIF-insured institution with total assets of \$35 million failed.
- ▶ The last SAIF-insured institution to fail was Union Federal Savings Bank of Los Angeles, California, on August 9, 1996.

Statistical Highlights

(Dollars in Millions)

| Fund Results | Bank Insurance Fund (Unaudited) | | Savings Association Insurance Fund (Unaudited) | |
|---------------------------------------|--|------------------------|---|------------------------|
| | YTD 6/30/97 | YTD 6/30/96 | YTD 6/30/97 | YTD 6/30/96 |
| Revenue | \$761 | \$721 | \$276 | \$591 |
| Operating Expenses | \$270 | \$218 | \$31 | \$32 |
| Insurance Losses/Expenses | (\$44) | \$128 | (\$1) | \$3 |
| Net Income | \$535 | \$375 | \$246 | \$556 |
| Fund Balance | \$27,389 | \$25,828 | \$9,134 | \$3,914 |
| <u>Selected Statistics</u> | | | | |
| Total Insured Institutions | 9,766 (a) | 10,021 (b) | 1,602 (a) | 1,682 (b) |
| Institution Failures for Current Year | 0 | 3 | 0 | 0 |
| Total Assets of Current Year Failures | \$0 | \$115 | \$0 | \$0 |
| Total Estimated Losses of | | | | |
| Current Year Failures | \$0 | \$16 | \$0 | \$0 |
| Receivership/Corporate Owned | | | | |
| Assets in Liquidation | \$2,787 | \$6,965 | \$25 | \$6 |

(a) Source: 3/31/97 FDIC Quarterly Banking Profile (latest available). BIF figure includes 31 U.S. branches of foreign banks.

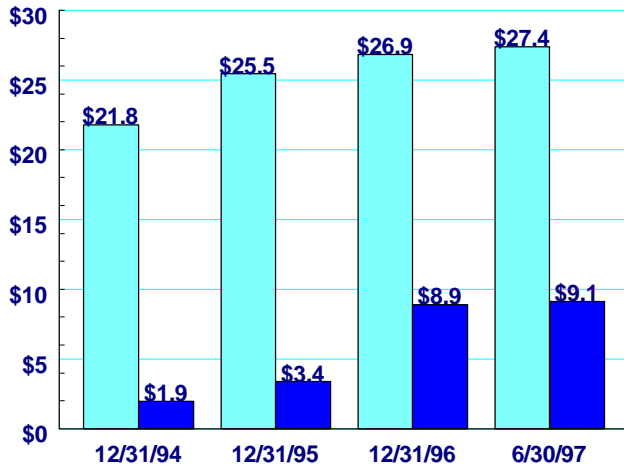
(b) Source: 6/30/96 FDIC Quarterly Banking Profile. BIF figure includes 33 U.S. branches of foreign banks.

| | FRF - FSLIC (Unaudited) | | FRF - RTC (Unaudited) | | FRF - Consolidated (Unaudited) | |
|--|------------------------------------|------------------------|----------------------------------|------------------------|---|------------------------|
| | YTD 6/30/97 | YTD 6/30/96 | YTD 6/30/97 | YTD 6/30/96 | YTD 6/30/97 | YTD 6/30/96 |
| <u>Cash Flows</u> | | | | | | |
| <i>Cash Flows from Operating Activities:</i> | | | | | | |
| Cash Provided by Operating Activities | \$970 | \$364 | \$2,770 | \$3,712 | \$3,740 | \$4,076 |
| Cash Used for Operating Activities | (\$29) | (\$124) | (\$394) | (\$574) | (\$423) | (\$698) |
| Net Cash Provided by/(Used for) Operating Activities | \$941 | \$240 | \$2,376 | \$3,138 | \$3,317 | \$3,378 |
| <i>Cash Flows from Financing Activities:</i> | | | | | | |
| U.S. Treasury Payments | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Repayments of Federal Financing Bank Borrowings | \$0 | \$0 | (\$2,327) | (\$3,975) | (\$2,327) | (\$3,975) |
| Payments of Indebtedness Incurred from Thrift Resolution | (\$32) | (\$32) | \$0 | \$0 | (\$32) | (\$32) |
| Net Increase/(Decrease) in Cash | \$909 | \$208 | \$49 | (\$837) | \$958 | (\$629) |
| <u>Selected Statistics</u> | | | | | | |
| Resolution Equity | \$1,844 | \$912 | \$5,357 | \$3,400 | \$7,201 | \$4,312 |
| Number of Active Receiverships | 29 | 49 | 406 | 440 | 435 | 489 |
| Number of Other Liquidating Entities | 57 | 62 | 19 | 6 | 76 | 68 |
| Receivership/Corporate Owned Assets in Liquidation | \$363 | \$1,311 | \$3,086 | \$6,113 | \$3,449 | \$7,424 |
| Covered/Partnership Assets | \$0 | \$107 | \$0 | \$0 | \$0 | \$107 |
| Federal Financing Bank Borrowings | \$0 | \$0 | \$2,260 | \$6,622 | \$2,260 | \$6,622 |

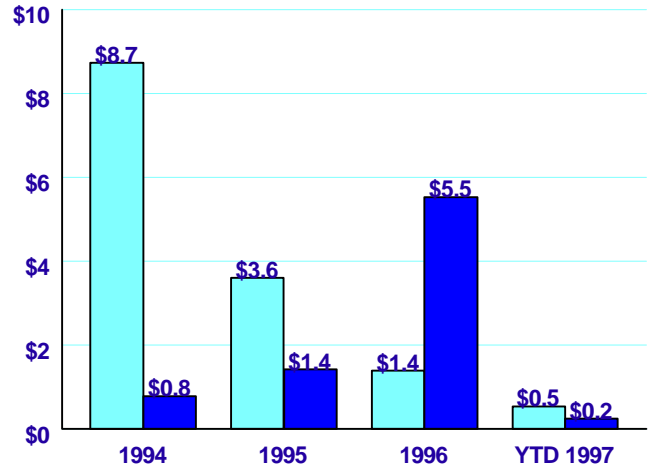
Fund Operations

Financial Results

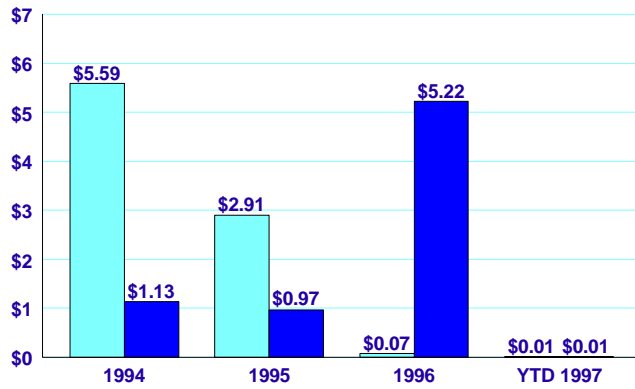
Fund Balance
(Dollars in Billions)
■ BIF ■ SAIF



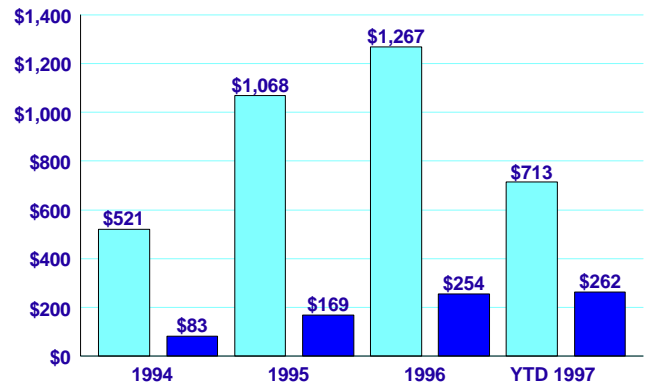
Net Income
(Dollars in Billions)
■ BIF ■ SAIF



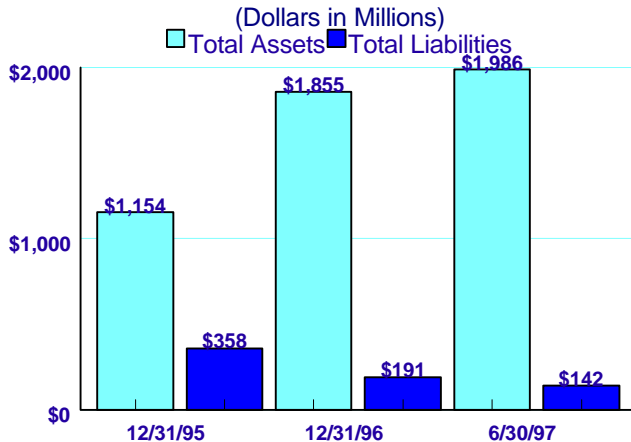
Assessment Revenue
(Dollars in Billions)
■ BIF ■ SAIF



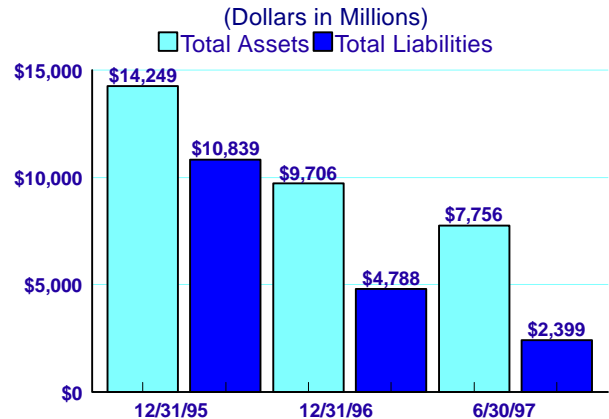
Interest Income
(Dollars in Millions)
■ BIF ■ SAIF



FRF-FSLIC Resolution Progress



FRF-RTC Resolution Progress

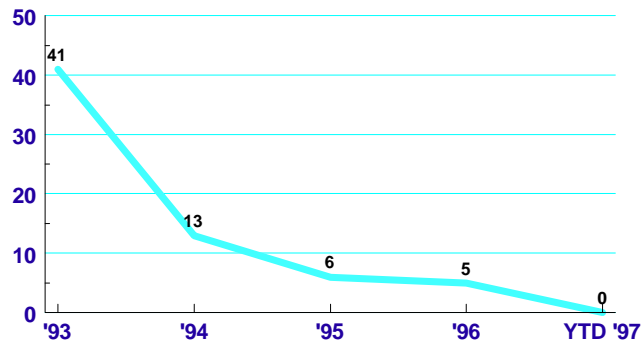


Results for the six months ending June 30, 1997 are unaudited.

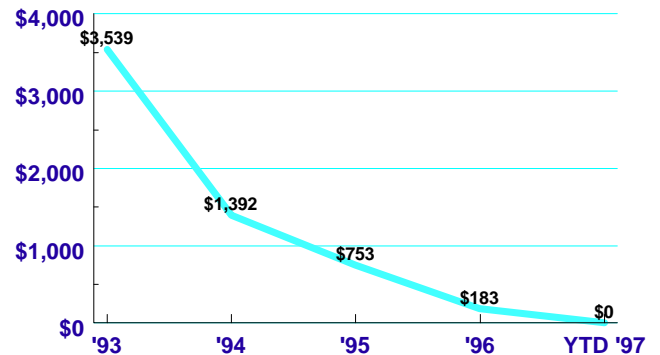
Insurance Activity

Through June 1997

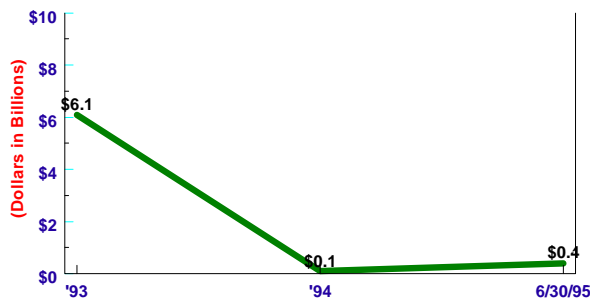
Number of Closed and Assisted BIF-Member Institutions



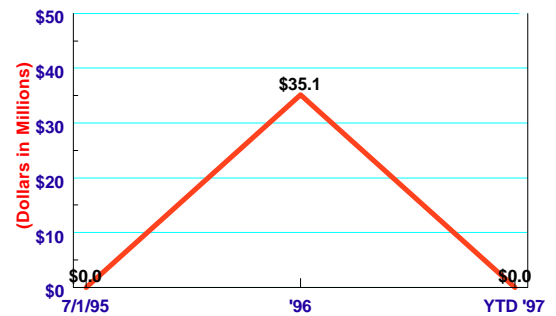
Assets of Closed and Assisted BIF-Member Institutions
at Date of Closing or Assistance
(Dollars in Millions)



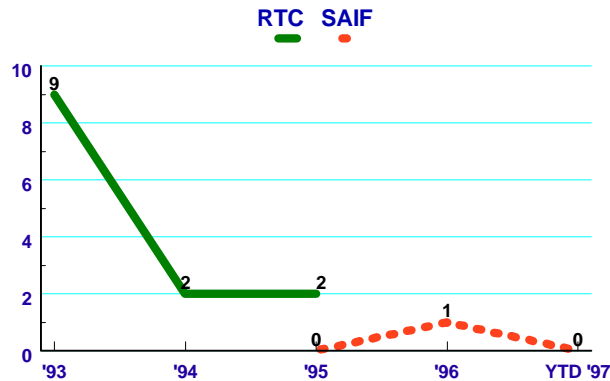
RTC: Assets of Failed Thrifts *
at Date of Failure (Takeover Date)
RTC



SAIF: Assets of Failed Thrifts *
at Date of Failure
SAIF



Number of Thrift Failures *
(Measured by date of takeover)



*The SAIF assumed responsibility for thrift-member institutions from the RTC on July 1, 1995.

Federal Deposit Insurance Corporation

Statements of Income and Fund Balance

(Dollars in Millions)

| | B I F | | S A I F | |
|---------------------------------------|-------------------------------|------------------|--------------------|-----------------|
| | Quarter Ending June 30 | | (Unaudited) | |
| | 1997 | 1996 | 1997 | 1996 |
| <u>Revenue</u> | | | | |
| Assessments | \$ 5 | \$ 17 | \$ 8 | \$ 230 |
| Interest on U.S. Treasury investments | 380 | 313 | 134 | 55 |
| Revenue from corporate owned assets | 15 | 11 | 0 | 0 |
| Other revenue | 6 | 10 | 0 | 0 |
| Total Revenue | 406 | 351 | 142 | 285 |
| <u>Expenses and Losses</u> | | | | |
| Operating expenses | 145 | 113 | 17 | 15 |
| <i>Insurance Losses/Expenses:</i> | | | | |
| Provision for insurance losses | (104) | 137 | 0 | 6 |
| Corporate owned asset expenses | 17 | 21 | 0 | 0 |
| Interest and other insurance expenses | 1 | 0 | 0 | 0 |
| Subtotal Insurance Losses/Expenses | (86) | 158 | 0 | 6 |
| Total Expenses and Losses | 59 | 271 | 17 | 21 |
| Net Income | 347 | 80 | 125 | 264 |
| Fund Balance - Beginning | 27,042 | 25,748 | 9,009 | 3,650 |
| Fund Balance - Ending | \$ 27,389 | \$ 25,828 | \$ 9,134 | \$ 3,914 |

| | B I F | | S A I F | |
|---------------------------------------|--------------------|------------------|--------------------|-----------------|
| | Y-T-D June | | Y-T-D June | |
| | (Unaudited) | | (Unaudited) | |
| | 1997 | 1996 | 1997 | 1996 |
| <u>Revenue</u> | | | | |
| Assessments | \$ 13 | \$ 37 | \$ 14 | \$ 481 |
| Interest on U.S. Treasury investments | 713 | 619 | 262 | 109 |
| Revenue from corporate owned assets | 21 | 45 | 0 | 0 |
| Other revenue | 14 | 20 | 0 | 1 |
| Total Revenue | 761 | 721 | 276 | 591 |
| <u>Expenses and Losses</u> | | | | |
| Operating expenses | 270 | 218 | 31 | 32 |
| <i>Insurance Losses/Expenses:</i> | | | | |
| Provision for insurance losses | (76) | 85 | (1) | 3 |
| Corporate owned asset expenses | 31 | 43 | 0 | 0 |
| Interest and other insurance expenses | 1 | 0 | 0 | 0 |
| Subtotal Insurance Losses/Expenses | (44) | 128 | (1) | 3 |
| Total Expenses and Losses | 226 | 346 | 30 | 35 |
| Net Income | 535 | 375 | 246 | 556 |
| Fund Balance - Beginning | 26,854 | 25,453 | 8,888 | 3,358 |
| Fund Balance - Ending | \$ 27,389 | \$ 25,828 | \$ 9,134 | \$ 3,914 |

Federal Deposit Insurance Corporation

Statements of Financial Position

(Dollars in Millions)

| | B I F June 30 (Unaudited) | | S A I F June 30 (Unaudited) | |
|--|--|--------------------|--|--------------------|
| | <u>1997</u> | <u>1996</u> | <u>1997</u> | <u>1996</u> |
| <u>Assets</u> | | | | |
| Cash and cash equivalents - available | \$ 258 | \$ 240 | \$ 189 | \$ 652 |
| Investment in U.S. Treasury obligations, net | 25,488 | 21,232 | 8,814 | 3,554 |
| Receivables from resolutions, net | 1,293 | 4,314 | 11 | 0 |
| Investment in corporate owned assets, net | 70 | 127 | 0 | 0 |
| <i>Cash and Investments (Restricted):</i> | | | | |
| FICO Reserve | 0 | 0 | 0 | 79 |
| Exit fees | 0 | 0 | 233 | 221 |
| Property and buildings, net | 147 | 150 | 0 | 0 |
| Other assets, net | 449 | 442 | 125 | 61 |
| Total Assets | \$ 27,705 | \$ 26,505 | \$ 9,372 | \$ 4,567 |
| <u>Liabilities and the Fund Balance</u> | | | | |
| Accounts payable and other liabilities | \$ 189 | \$ 217 | \$ 1 | \$ 239 |
| <i>Estimated Liabilities for:</i> | | | | |
| Anticipated failure of insured institutions | 26 | 238 | 3 | 114 |
| Assistance agreements | 50 | 86 | 0 | 0 |
| Asset securitization guarantee | 36 | 123 | 0 | 0 |
| Litigation losses | 15 | 13 | 0 | 0 |
| Total Liabilities | 316 | 677 | 4 | 353 |
| <i>Funds Held in Escrow:</i> | | | | |
| Assessment collections held on behalf of FICO | 0 | 0 | 0 | 79 |
| SAIF-member exit fees and investment proceeds held in escrow | 0 | 0 | 234 | 221 |
| Total Funds Held in Escrow: | 0 | 0 | 234 | 300 |
| Fund Balance | 27,389 | 25,828 | 9,134 | 3,914 |
| Total Liabilities and the Fund Balance | \$ 27,705 | \$ 26,505 | \$ 9,372 | \$ 4,567 |

Federal Deposit Insurance Corporation

Financial Statements for FRF - FSLIC

(Dollars in Millions)

| STATEMENTS OF FINANCIAL POSITION | | |
|--|--------------------------------|--------------------------------|
| | (Unaudited) June 30 1997 | (Unaudited) June 30 1996 |
| Assets | | |
| Cash and cash equivalents | \$ 1,712 | \$ 483 |
| Receivables from thrift resolutions, net | 120 | 308 |
| Investment in corporate owned assets, net | 147 | 331 |
| Other assets, net | 7 | 9 |
| Total Assets | \$ 1,986 | \$ 1,131 |
| Liabilities and Resolution Equity | | |
| Liabilities | | |
| Accounts payable and other liabilities | \$ 8 | \$ 8 |
| Liabilities incurred from thrift resolutions | 98 | 137 |
| <i>Estimated Liabilities for:</i> | | |
| Assistance agreements | 9 | 47 |
| Litigation losses | 27 | 27 |
| Total Liabilities | 142 | 219 |
| Resolution Equity | | |
| Contributed capital | 44,156 | 44,156 |
| Accumulated deficit | (42,312) | (43,244) |
| Total Resolution Equity | 1,844 | 912 |
| Total Liabilities and Resolution Equity | \$ 1,986 | \$ 1,131 |

| STATEMENTS OF INCOME AND ACCUMULATED DEFICIT | | |
|--|---|---|
| | (Unaudited) Year to Date June 30 1997 | (Unaudited) Year to Date June 30 1996 |
| Revenue | | |
| Interest on U.S. Treasury obligations | \$ 38 | \$ 9 |
| Revenue from corporate owned assets | 28 | 55 |
| Limited partnership | 5 | 12 |
| Interest on advances and other revenue | 13 | 3 |
| Total Revenue | 84 | 79 |
| Expenses and Losses | | |
| Operating expenses | 2 | 0 |
| Interest expense | 3 | 4 |
| Corporate owned asset expenses | 21 | 36 |
| Provision for losses | (123) | (78) |
| Other expenses | 1 | 1 |
| Total Expenses and Losses | (96) | (37) |
| Net Income | 180 | 116 |
| Accumulated Deficit - Beginning | (42,492) | (43,360) |
| Accumulated Deficit - Ending | \$ (42,312) | \$ (43,244) |

Federal Deposit Insurance Corporation

Financial Statements for FRF - RTC

(Dollars in Millions)

| STATEMENTS OF FINANCIAL POSITION | | |
|---|--------------------------------|--------------------------------|
| | (Unaudited) June 30 1997 | (Unaudited) June 30 1996 |
| <u>Assets</u> | | |
| Cash and cash equivalents | \$ 349 | \$ 399 |
| Receivables from thrift resolutions, net | 2,022 | 9,365 |
| Securitization Reserve Fund | 5,256 | 0 |
| Investment in corporate owned assets, net | 129 | 492 |
| Other assets, net | 0 | 4 |
| Total Assets | \$ 7,756 | \$ 10,260 |
| <u>Liabilities and Resolution Equity</u> | | |
| <u>Liabilities</u> | | |
| Accounts payable and other liabilities | \$ 130 | \$ 153 |
| Notes payable - Federal Financing Bank borrowings | 2,260 | 6,622 |
| Liabilities incurred from thrift resolutions | 6 | 6 |
| <i>Estimated Liabilities for:</i> | | |
| Assistance agreements | 0 | 0 |
| Litigation losses | 3 | 79 |
| Total Liabilities | 2,399 | 6,860 |
| <u>Resolution Equity</u> | | |
| Contributed capital | 91,345 | 91,345 |
| Accumulated deficit | (85,988) | (87,945) |
| Total Resolution Equity | 5,357 | 3,400 |
| Total Liabilities and Resolution Equity | \$ 7,756 | \$ 10,260 |

| STATEMENTS OF INCOME AND ACCUMULATED DEFICIT | | |
|--|---|---|
| | (Unaudited) Year to Date June 30 1997 | (Unaudited) Year to Date June 30 1996 |
| <u>Revenue</u> | | |
| Interest on Securitization Reserve Fund | \$ 155 | \$ 0 |
| Revenue from corporate owned assets | 16 | 20 |
| Interest on advances and other revenue | 1 | 174 |
| Total Revenue | 172 | 194 |
| <u>Expenses and Losses</u> | | |
| Operating expenses | 3 | 2 |
| Interest expense | 86 | 222 |
| Corporate owned asset expenses | 12 | 5 |
| Provision for losses | (368) | (25) |
| Total Expenses and Losses | (267) | 204 |
| Net Income (Loss) | 439 | (10) |
| Accumulated Deficit - Beginning | (86,427) | (87,935) |
| Accumulated Deficit - Ending | \$ (85,988) | \$ (87,945) |

Federal Deposit Insurance Corporation

Financial Statements for FRF - Consolidated

(Dollars in Millions)

| CONSOLIDATED STATEMENT OF FINANCIAL POSITION | | |
|---|--------------------------------|--------------------------------|
| | (Unaudited) June 30 1997 | (Unaudited) June 30 1996 |
| <u>Assets</u> | | |
| Cash and cash equivalents | \$ 2,061 | \$ 882 |
| Receivables from thrift resolutions, net | 2,142 | 9,673 |
| Securitization Reserve Fund | 5,256 | 0 |
| Investment in corporate owned assets, net | 276 | 823 |
| Other assets, net | 7 | 13 |
| Total Assets | \$ 9,742 | \$ 11,391 |
| <u>Liabilities and Resolution Equity</u> | | |
| <u>Liabilities</u> | | |
| Accounts payable and other liabilities | \$ 138 | 161 |
| Notes payable - Federal Financing Bank borrowings | 2,260 | 6,622 |
| Liabilities incurred from thrift resolutions | 104 | 143 |
| <i>Estimated Liabilities for:</i> | | |
| Assistance agreements | 9 | 47 |
| Litigation losses | 30 | 106 |
| Total Liabilities | 2,541 | 7,079 |
| <u>Resolution Equity</u> | | |
| Contributed capital | 135,501 | 135,501 |
| Accumulated deficit | (128,300) | (131,189) |
| Total Resolution Equity | 7,201 | 4,312 |
| Total Liabilities and Resolution Equity | \$ 9,742 | 11,391 |

| CONSOLIDATED STATEMENT OF INCOME AND ACCUMULATED DEFICIT | | |
|---|--|--|
| | (Unaudited) Year to Date June 30 1997 | (Unaudited) Year to Date June 30 1996 |
| <u>Revenue</u> | | |
| Interest on Securitization Reserve Fund | \$ 155 | \$ 0 |
| Interest on U.S. Treasury obligations | 38 | 9 |
| Revenue from corporate owned assets | 44 | 75 |
| Limited partnership | 5 | 12 |
| Interest on advances and other revenue | 14 | 177 |
| Total Revenue | 256 | 273 |
| <u>Expenses and Losses</u> | | |
| Operating expenses | 5 | 2 |
| Interest expense | 89 | 226 |
| Corporate owned asset expenses | 33 | 41 |
| Provision for losses | (491) | (103) |
| Other expenses | 1 | 1 |
| Total Expenses and Losses | (363) | 167 |
| Net Income | 619 | 106 |
| Accumulated Deficit - Beginning | (128,919) | (131,295) |
| Accumulated Deficit - Ending | \$ (128,300) | \$ (131,189) |